

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 ICAE-00 AID-05 CEA-01  
CIAE-00 COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13  
NEA-11 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04  
SIL-01 AGRE-00 OMB-01 SS-15 INRE-00 OIC-02 /102 W  
-----106929 250008Z /13

O R 242327Z MAY 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 2042  
INFO ALL OECD CAPITALS

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USEEC ALSO FOR EMBASSY

PASS: DEPARTMENT FOR E:BLACK; EUR/RPE:CASET; ALSO PASS  
CEA FOR NORDHAUS AND SHAFER; TREASURY FOR JUNZ

E.O. 11652: N/A  
TAGS: EGEN, OECD  
SUBJECT: POSITIVE ADJUSTMENT POLICIES - HEADS O/  
DELEGATION MEETING, MAY 23

REF: (A) CES/78.46; (B) C(78)95; (C) STATE 129995;  
(D) STATE 127824

1. SUMMART: AT OECD HEADS OF DELEGATION MEETING  
MAY 23 ON SECRETARIAT PAPERS ON POSITIVE ADJUSTMENT  
POLICIES (REFS. A AND B) FOR AGENDA ITEM 4 OF OECD  
MINISTERIAL, NO DELEGATE SPOKE AGAINST ADJUSTMENT BEING  
BROUGHT BEFORE MINISTERIAL AND HAVING MINISTERS ENDORSE  
POSITIVE POLICIES IN SOME MANNER. STRONG SUPPORT WAS  
VOICED BY SOME DELEGATIONS (U.S., SWEDEN, JAPAN, SWITZER-  
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LAND) FOR GENERAL SECRETARIAT APPROACH TOWARD ISSUE,  
WHILE CAUTIOUS ATTITUDE WAS EXPRESSED BY OTHERS (U.K.,  
FRANCE, GERMANY, NORWAY, IRELAND) WHO FELT SECRETARIAT  
PAPERS (ESPECIALLY REF. B) LACKED APPRECIATION OF POLI-  
TICAL REALITIES. (MISSION HAS LEARNED SUBSEQUENTLY THAT  
GERMAN PERM. REP. WAS WITHOUT INSTRUCTIONS -- SEE PARA.  
4.) NOT ALL DELS HAD RECEIVED SPECIFIC INSTRUCTIONS FROM

CAPITALS FOR MEETING; IT APPEARED THAT SOME WERE NOT SPEAKING FROM INSTRUCTIONS, BUT ON PERSONAL BASIS; AND SEVERAL ADDRESSED THEIR REMARKS TO BACKGROUND PAPER REF. B, RATHER THAN SUGGESTED GUIDELINES OF REF. A. MOST DELEGATES WHO SPOKE SOUGHT CLARIFICATION OF INTENDED USE OF TWO PAPERS, AND INDICATED THEY WOULD LEAVE SUBSTANTIVE DISCUSSION OF PAPERS UP TO EXPERTS FROM CAPITALS WHO WILL CONVENE ON MAY 29 AT OECD AT 3:00 P.M. MEETING, WHICH WILL CONTINUE ON AFTERNOON OF MAY 30TH, IF NECESSARY, WILL BE CHAIRED BY SECRETARIAT (MARRIS). NO REDRAFT OF PAPERS WILL BE PREPARED FOR MAY 29 MEETING. SECRETARIAT CLARIFIED THAT REF. A WILL BE FOCUS OF DISCUSSION. END SUMMARY

2. IN INTRODUCING PAPERS, SECRETARIAT (MARRIS) BRIEFLY REITERATED BASIC SECRETARIAT ANALYSIS THAT ECONOMIC PROBLEMS OF RECENT YEARS HAD LED GOVERNMENTS TO ADOPT (OR ADD) INTERVENTIONIST POLICIES -- I.E., POLICIES INTENDED TO KEEP LABOR EMPLOYED OR MAINTAIN CAPITAL -- WHICH IN SOME CASES HAD ENCUMBERED THE OVERALL ADJUSTMENT PROCESS, THEREBY INHIBITING THE RETURN TO MORE SUSTAINABLE AND BETTER BALANCED GROWTH AMONG OECD COUNTRIES. POINTING TO THE DEFINITION OF ADJUSTMENT POLICY CONTAINED IN PARA. 2 OF REF. B, HE UNDERLINED THE RELATIVELY NARROW FOCUS OF THE SPECIFIC RANGE OF POLICIES WHICH SECRETARIAT PAPERS ARE INTENDED LIMITED OFFICIAL USE

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TO ADDRESS. HE CAUTIONED AGAINST ATTEMPTS TO EXPAND THEIR SCOPE TO INCLUDE OTHER POLICY REMEDIES FOR DIFFICULTIES SYMPTOMATIC OF MORE FUNDAMENTAL LONG-TERM STRUCTURAL PROBLEMS NOT INSPIRED BY THE RECENT ECONOMIC MALAISE.

3. U.K. PERM. REP. INTERVENTION WAS TYPICAL OF CAUTIOUS APPROACH TOWARD ISSUE VOICED BY SOME DELEGATIONS. WHILE AGREEING WITH BASIC SECRETARIAT ANALYSIS, HE QUESTIONED PURPOSE OF PAPER (CES/78.46 -- ARE MINISTERS TO ENDORSE IT OR TO SIMPLY REFER TO IT IN COMMUNIQUE?) HE INDICATED THAT BOTH PAPERS (REFS. A AND B) BECAUSE OF THEIR "NEGATIVE" NATURE, WOULD POSE PROBLEMS IN A POLITICAL SENSE FOR MINISTERS, ESPECIALLY THOSE FROM COUNTRIES FACING ELECTIONS IN THE NEAR FUTURE. U.K. APPROACH WAS SECONDED MOST STRONGLY BY FRENCH PERM. REP. (WHO QUESTIONED THE ADVISABILITY OF ASKING MINISTERS TO CONDEMN THE MEASURES THEY THEMSELVES HAD TAKEN OVER LAST FEW YEARS) AND BY IRISH AND NORWEGIAN DELS.

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INFO OCT-01 ISO-00 ICAE-00 AID-05 CEA-01 CIAE-00  
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AGRE-00 OMB-01 SS-15 INRE-00 SSO-00 OIC-02 /102 W  
-----107055 250008Z /13

O R 242327Z MAY 78  
FM AMEMBASSY PARIS  
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4. MISSION, IN LATER CONVERSATION WITH MEMBER GERMAN DELEGATION, LEARNED THAT GERMANS HAD NO INSTRUCTIONS FROM BONN FOR MEETING. GERMAN PERM. REP. THUS CONFINED HIS INTERVENTION PRIMARILY TO PROCEDURAL QUESTIONS RELATING TO STATUS OF PAPERS. HE DID QUESTION POLITICAL ACCEPTABILITY OF SECRETARIAT APPROACH SINCE "MINISTERS LIKE TO GET RE-ELECTED." HOWEVER, WE ARE INFORMED THAT THIS REMARK WAS DIRECTED TOWRD REF. B AND THAT GERMAN DELEGATION HERE CONSIDERS CES/78.46 AS AN ACCEPTABLE BASIS FOR SOME SORT OF MINISTERIAL ACTION. GERMAN SOURCE ALSO INFORMED US THAT BONN HAS VACILLATED ABOUT WHOM IT WILL SEND TO EXPEPTS MEETING, BUT HAS NOW SETTLED ON OFFICE DIRECTOR LEVEL OFFICIAL (GRIMM) FROM ECONOMIC MINISTRY.

5. DELEGATES MENTIONED ABOVE, AS WELL AS -- IN MORE NEUTRAL TERMS -- DANES, CANADIANS, DUTCH, AUSTRIANS, GREEKS, EXPRESSED VARYING DEGREES OF UNCERTAINTY AND CONFUSION REGARDING PURPOSE OF PAPERS AND HOW THEY  
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MIGHT BE USED BY MINISTERS. IN RESPONSE, SECRETARIAT EXPRESSED HOPE THAT TEXT ALONG LINES OF CES/78.46 WOULD BE ENDORSED IN "APPROPRIATE FORM" BY MINISTERS AT JUNE MEETING, PERHAPS AS AN ANNEX TO THE COMMUNIQUE. SECRETARIAT EXPLAINED THAT PAPER, CE(78)95, WAS MERELY INFORMATION NOTE TO MINISTERS WHICH SECRETARY-GENERAL WOULD SUBMIT ON HIS OWN RESPONSIBILITY AND THAT DELEGATES AND EXPERTS SHOULD CONCENTRATE ON CES/78.46.

6. AMBASSADOR, DRAWING FROM INSTRUCTIONS REF. C, EXPRESSED U.S. VIEW THAT STATEMENT OF SUPPORT FOR POSITIVE ADJUSTMENT POLICIES BY MINISTERS SHOULD BE MAJOR ELEMENT IN OUTCOME OF MINISTERIAL. HE ENDORSED THE SECRETARIAT'S PAPER (REF. A) AS AN EXCELLENT BASIS FOR CONSIDERATION OF POSITIVE ADJUSTMENT, WHILE POINTING OUT THAT, AT PRESENT, IT WAS NOT NECESSARY TO DECIDE PRECISE FORM IN WHICH MINISTERS WOULD ADOPT OR REFER TO A STATEMENT ON ADJUSTMENT POLICIES. SWEDES ALSO GAVE STRONG ENDORSEMENT TO PAPERS AND WELCOMED DISCUSSIONS OF POSITIVE ADJUSTMENT POLICIES IN THE OECD CONTEXT. SWEDEN COMMENTED, HOWEVER, THAT PAPERS -- ESPECIALLY REF. B -- WERE UNDULY NEGATIVE ABOUT SELECTIVE MEASURES. HE CITED WHOLE RANGE OF SITUATIONS WHERE MARKET FAILURE CALLS FOR INTERVENTION AND WHERE SELECTIVE MEASURES CAN BOTH (A) FACILITATE AND CONTRIBUTE TO STRUCTURAL ADJUSTMENT AND (B) MAINTAIN DEMAND SO THAT NEGATIVE TRADE IMPACT ON OTHER COUNTRIES IS LESSENER. JAPANESE AND SWISS, IN BRIEF STATEMENT, ALSO INDICATED GENERAL SUPPORT FOR IMPORTANCE OF POSITIVE ADJUSTMENT AND HAVING IT ENDORSED BY MINISTERS IN SOME MANNER. ITALIAN, PORTUGUESE AND AUSTRIAN DELEGATES MADE MUCH THE SAME POINT AS SWEDEN ON NEED TO BE MORE LANCED IN DESCRIBING BENEFITS AND COSTS OF SOME TYPES LIMITED OFFICIAL USE

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OF SELECTIVE MEASURES WHILE, IN GENERAL, ENDORSING SECRETARIAT'S APPROACH TO MINISTERIAL CONSIDERATION OF ADJUSTMENT POLICY ISSUE.

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ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 ICAE-00 INRE-00 AID-05  
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IO-13 NEA-11 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04  
SIL-01 AGRE-00 OMB-01 SS-15 OIC-02 /102 W  
-----107022 250008Z /13

O R 242327Z MAY 78  
FM AMEMBASSY PARIS  
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7. SPECIFIC COMMENTS ON TEXT OF CES/78.46 WERE SPARSE. AMBASSADOR MADE COMMENTS PER INSTRUCTIONS REF. C. SWEDES AND CANADIANS INDICATED THEY WOULD SUBMIT TO SECRETARIAT WRITTEN COMMENTS ON SPECIFIC PARAGRAPHS, ALTHOUGH CANADIAN EXPRESSED DOUBT THAT HIS AUTHORITIES WERE AWARE OF THE INTENDED USE OF THE PAPER. OTHER DISCUSSION OF SPECIFICS REVOLVED AROUND AGRICULTURAL POLICY (PARA. 24 OF REF. B AND PARA. 14 OF REF. A) WITH AUSTRALIA AND NEW ZEALAND MAKING EXPECTED PITCH FOR MORE BALANCED APPROACH IN DOCUMENTS BY GIVING GREATER EMPHASIS TO AGRICULTURAL PROBLEMS. MOST DELS WHO SPOKE INDICATED THAT EXPERTS FROM CAPITALS COMING TO MEETING ON MAY 29 WOULD PROVIDE THEIR COUNTRIES' SUBSTANTIVE COMMENTS ON PAPER. U.D. FEL EMPHASIZED THAT U.S. WAS SENDING HIGH-LEVEL GROUP OF EXPERTS HEADED BY NORDHAUS TO MEETING AND EXPRESSED HOPE OTHER COUNTRIES WOULD FIELD SIMILAR POLICY LEVEL EXPERTS.

8. IN PRIVATE CONVERSATION AFTER MEETING, SECRETARIAT  
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(MARRIS) COMMENTED THAT REDRAFT WOULD NOT BE PREPARED FOR MAY 29 BECAUSE (A) OF SHORT TIME FRAME WHICH WOULD NOT GIVE CAPITALS TIME TO REVIEW NEW DRAFT, (B) OF LACK OF ENOUGH SPECIFIC REACTIONS FROM DELEGATIONS (IN THIS CONNECTION, HE NOTED THAT IF U.S. SUGGESTIONS FOR CUTS IN PAPER ACCEPTED AT THIS STAGE, POINTS OTHER COUNTRIES FEEL STRONGLY ABOUT MIGHT BE OMITTED), AND (C) HE WAS NOT SURE TO WHAT EXTENT REACTIONS FROM NUMBER OF DELEGATIONS ACTUALLY REFLECTED CONSIDERED OFFICIAL VIEWS.

HE ADDED, HOWEVER, HE WOULD WELCOME ANY ADDITIONAL  
SUGGESTIONS FOR CHANGES IN PAPERS, EITHER BEFORE OR AT  
MAY 29 MEETING.  
SALZMAN

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, INFLATION, MEETING DELEGATIONS, ECONOMIC PROGRAMS, REGIONAL ORGANIZATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Previous Classification:** n/a  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014